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News Release

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Jury convicts former mortgage broker of defrauding vulnerable homeowners in equity-skimming scheme

A federal grand jury today convicted a 41-year-old Prior Lake man on seven criminal counts in connection with an equity-skimming scheme that targeted vulnerable homeowners.

After more than six hours of deliberation, on May 20 in St. Paul, a jury found Michael Fiorito guilty on all counts against him, including one count of conspiracy to commit mail fraud and six counts of mail fraud.

According to the indictment and evidence presented during the nearly three-week trial, Fiorito was a mortgage broker at three different Minnesota mortgage companies from 2003 through January 2007. Working with his assistant, Kristin Louise Jerde, he devised a scheme to defraud homeowners who were in foreclosure or behind on their mortgage payments.

Specifically, Fiorito and Jerde caused homeowners to refinance their homes. They then stole some or all of the equity checks produced through the refinancing process. They also induced homeowners to sell their homes to Fiorito and then stole the checks paid to the victims out of the closing of the sale. Many of the victims who sold their homes to Fiorito did not know they were actually selling their homes because Fiorito misled them into believing that they were only refinancing their homes.

Jerde pleaded guilty on Oct. 24, 2007, to one count of conspiracy to commit mail fraud. United States District Court Judge Patrick Schiltz will determine her sentence at a future date.

Fiorito sought out and contacted homeowners and encouraged them to hire him to arrange a refinancing or sale. In some cases, Fiorito promised homeowners that they would receive checks in the amount of the equity in their homes, but he then either intercepted the checks or else used physical intimidation to force homeowners to endorse the checks over to him.

In most cases, Fiorito caused the homeowners to execute powers-of-attorney appointing him as attorney-in-fact for the homeowners, which facilitated Fiorito's theft of checks issued to

homeowners when the transactions closed. The homeowners testified at trial that they did not know they had signed documents granting Fiorito permission to take their money. In some cases, Fiorito caused victims to sell their homes to him against their wishes and then sent those victims monthly “mortgage” bills.

Between January 2005 and March 2007, Fiorito fraudulently converted to his own use more than \$400,000 in equity from at least 17 victims, who lived in Janesville, Mound, Duluth, Mankato, Prior Lake, Spring Lake Park, Austin, Golden Valley, Vadnais Heights and Shoreview.

Fiorito faces a potential maximum penalty of 20 years in prison on each of the mail fraud counts, and five years in prison on the conspiracy count. Judge Schiltz will determine Fiorito’s sentence at a future date.

This case is the result of an investigation by the U.S. Postal Inspection Service. It is being prosecuted by Assistant U.S. Attorney David J. MacLaughlin.